Social Customer Relationship Management and Organizational Characteristics

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Abstract: Social customer relationship management (SCRM) is a new philosophy influencing the relationship between customer and organization, where the customer gets opportunity to control relationship through social media. The paper aims on (a) identification of current level of SCRM and also on (b) influence of basic organizational characteristics on SCRM level. The data were gathered through the questionnaire distributed in 362 organizations headquartered in the Czech Republic. The questionnaire comprised 54 questions focusing on the significance of marketing and CRM practices, establishing a relationship with the customer, online communities, the use of social media in marketing, and acquiring and managing information. The majority of questions were scalable and used typical five-level Likert scale. Results showed that larger firms more often set up their own online communities and manage them strategically, moreover they are able to manage information better. Contrariwise, small sized organizations use social networks as a way to establish communication with the customer more than large sized entities. Use of social media for marketing purposes is significantly higher in organizations oriented on consumer markets than on business markets.

Keywords: customer relationship management (CRM); social media; social CRM; customer information, small and medium enterprises (SMEs)

1. Introduction

Today’s relationship with the customer is much more influenced by a customer community living on social networks. The way the relationship with the customer is built has changed over the course of history. In this new environment customer can control his relationships with businesses as well as get power to influence others in his social network. Moreover, in understanding of customers’ actual needs, the social media are becoming a new phenomenon. The customer data are becoming mainly collected via social media as Facebook, YouTube, LinkedIn, Twitter or/and blogs and new term Social customer relationship management (SCRM) is used for distinguishing this new approach [1;2;3]. Van Looy [4] describes SCRM as “multidisciplinary social media approach as it involves all departments in the organization. Instead of only contacting people with sales offers, the aim of social CRM is to build strong relationships with Internet users by giving them a positive experience of the organization’s brand, products, and services.” At the end, SCRM turn such social media relationships into loyal customers, which is the main goal, the product/service purchase has the secondary role, only.

Huge shift from ‘older’ electronic CRM to ‘newer’ SCRM and the ‘nascense of customer management’ is illustrated by Harrigan [5]. The customer has become not only an object for measurement and assessment, but also the key player of relationship, every of his activity and behavior is monitored online and in relation to his role in the community. Moreover, Osakwe et al.
in their study implies that online retail brands should offer its products via social networking sites and also endeavor to keep tracking these online users in the social media community to increase affinity towards their brands. Recent studies [5;7;8] pointed out that that SCRM nature is often affected by the organizational characteristics, mainly size and market orientation.

Although SCRM is already considered as a very effective marketing approach, primarily for customer acquisition, we know just little about its application in the business sector in Europe and even less in Central and Eastern European Countries (CEEC). Research studies investigating businesses in CEEC [9; 10] tend to focus more on the traditional CRM approach than on SCRM. Therefore, the main objective of this paper is to deepen the knowledge in this specific area for CEEC region, specifically in the Czech Republic, and to identify how the character of SCRM is determined by these facets of business. The paper also follows previous works of authors [11;12] in this field. The question remains in what extent the companies are building such social communities and use them in their CRM systems.

Harrigan and Morgan [5] argue that small and medium enterprises (SMEs) tend to build their own online communities for customer communication, but less likely to participate in customer-owned communities or to make up such communities for their use in marketing. However, the use of these communities in larger corporation was not researched in deeper extent, yet. Therefore, the first research question was determined as “What is the level of building of own online communities and participation in relevant customer-owned communities and what factors affecting it?”.

The fact that SMEs do not sufficiently participate in communities created by customers goes somehow against the idea of involving customers designed by Kumar [13], but can be explained by lack of time on the side of SMEs. In general, SMEs tend to keep higher level of face-to-face contact than larger corporations [14;15]. Moreover, the previous research underlined problems of SMEs to keep strategic and long-ranged focus [15;16]. Therefore, can be assumed that proactive management of interactions in communities and strategic approach to managing online communities differ according to organization size. Therefore, the second research question was phrased as “What is the level of proactive management of interactions in online communities and strategic approach to online communities and what factors affecting it?”.

Findings of relevant studies show that social media are an important part of CRM business processes in firms allowing them have interactions via marketing messages, decisions on products and conversation in general [17;18]. At the same time can be assumed that social media will play a role especially towards to final consumers as relationships with business partners have rather more long-ranged and personalized character than online interactions in communities. Therefore, the third research question was phrased as What is the level of use of online communities as a way of engaging with customers and what factors affecting it?”.

Social media provide easily accessible customer data used for making strategic marketing decisions [12;17;19]. Despite the fact that such data were always a ‘motor’ driving CRM, the social media data are very different in their nature [20;21]. Moreover, such data are not only accessible and created directly by customers, but also a real-time, ‘messy’ and difficult to be analyzed and quantify [8;17]. Customer data collected on social media are mainly used for decisions in small and medium enterprises and not by larger corporations. While SMEs are strong in customer communication, the larger organizations are better in information aspects of CRM. Regarding to the market orientation, the differences in use of social media can be assumed because various market orientations require establishing of different customer relationships. Therefore, the fourth research question was phrased as “How organizations use social media in their CRM system to support marketing planning and budgeting and also to analyze responses to marketing campaigns and what factors affecting it?”.

Acquiring and management of information is vital for every organization conducting CRM. In SMEs the social media data as number of likes, tweets, comments or posts are in general too messy and thus left out of creation of real customer information and following marketing decisions [8;17].
Conversely, in larger organizations the constructs for obtaining the information and its integration are made [16; 20]. Such data enabling the differentiation of every ‘customer touch’ which is also a source of information [17]. Social media like Facebook, Twitter and LinkedIn can constitute a number of touch points. In general, the SMEs do not perform more advanced levels in CRM data mining. Carson [22] explains this by relatively small base of customers and huge number of day-to-day decisions. Studies of Kumar and Harrigan, Ramsey, & Ibbotson [13; 7] found that SMEs have not tend to use customer information for more complex calculations as lifetime customer value or the value of customer’s referrals to other customers. Therefore, the fourth research question was phrased as “How organizations collecting, integrating and using customer information and what factors affecting it?”.

2. Materials and Methods

The methodology of the paper follows up a previous studies [7; 11; 12] conducted in a given field. The constructed questionnaire, partially tested in previous studies, comprised 54 questions divided into five sections. Section 1 included questions on the importance assigned by the respondents (businesses) to marketing and CRM practices, section 2 questions on customer relations, section 3 questions on online communities, section 4 questions on the use of social networks, section 5 questions on acquiring and managing information and finally section 6 questions on the characteristics of businesses (market orientation, size, legal form). This article specifically deals with sections 3, 4, 5, and 6. The majority of the questions were scalable and used typical five-level Likert scale.

A sample of 362 respondents working in the same number of organizations participated in the study. The data were collected from 248 SMEs up to 250 employees as well as 112 firms with over 250 employees during time period between December 2015 and January 2016. The questionnaire distribution was conducted with use of 144 reporters (they encouraged organizations to participate and be responsible in careful completion of the questionnaire by physical visit, phone call or an e-mail alert). Research involved only organizations with the competence in the Czech Republic. The sample represents 362 firms out of 905,706 organizations that are – according to Czech statistical office – actively use social media (4.00 %). Majority (58.9 %) of examined firms focused on both business and consumer markets. Approximately one quarter (25.9 %) of firms were oriented solely on business markets, the remainder (11.7 %) solely on the final consumers.

Statistical significance of results was tested on the 5% level of significance. The statistical software Statgraphics was used for statistical analysis. At first, the analysis of variance was conducted. F-test to compare standard deviations and t-test to compare means was used. At second, in case the standardized skewness and/or kurtosis was outside the range of -2 to +2 for 1 column, which indicated non normality, the Kruskal-Wallis test was conducted and the medians instead of the means were tested.

3. Results

This section may be divided by subheadings. It should provide a concise and precise description of the experimental results, their interpretation as well as the experimental conclusions that can be drawn.

3.1. Building of online communities

Online communities exist in form of own communities (established and operated by organization) or customer-owned communities. Results shown that own communities are more frequent in larger firms with over 250 employees. In these larger organizations the mean value reached 3.17 pts (on five-point Likert scale) and was significantly higher than the mean of smaller organizations where value was 2.77 pts., only. The difference was found even higher for comparison
between organizations up to 50 employees and organizations with over 500 employees. Statistical testing confirmed significant statistical variance in results according to firm’s size (p-value = 0.00132).

Participation in communities owned by customers is more frequent in larger organizations, again. However, the organization size, does not affect the engagement so much as in the previous case. Score for larger organizations with over 250 employees reached 3.11 pts., while in organizations with up to 250 employees it was 2.87 pts. In almost one third of cases (30.1 %) respondents answered that they are “not very sure” or they “nor agreed or disagreed”. In this case, the differences in results were not statistically significant.

3.2. Proactive management of interactions in online communities and strategic approach to online communities

Similarly to previous organizational activities, the proactive management of interactions in communities is rather domain of larger organizations. Average score in firms with over 250 employees reached 2.61 pts., whereas 2.21 pts., in smaller organizations. Interestingly, the highest score was found in organizations sized from 250 to 500 employees (32.4 % of respondents strongly or slightly agreed), and not in the largest organizations with over 500 employees where about one fifth (21.3 %) of respondents agreed. Differences in results were statistically significant (p-value = 0.00823).

Strategic approach to management of online communities was recorded rather in larger organizations. Average score in organizations with over 250 employees reached 3.17 pts., while in smaller organizations it is only 2.77 pts. This difference was proved as statistically significant (p-value = 0.00083). More than half (55.5 %) of the largest firms with over 500 employees agreed with this assertion, while an agreement percentage in other size groups does not go over one third of respondents.

3.3. Online communities as a way of engaging with customers

The relationships with the customer initiated via online communities is built more frequently in organizations oriented to final consumers; an average score here reached 2.98 pts. Slightly lower score was found in firms with hybrid orientation (focusing on both markets), it was 2.76 pts. The score was significantly lower in organizations oriented to business market, it was 2.38 pts. The differences in a use of online communities as a way of making relationship with customers according to organizational size were not found.

3.4. Use of SCRM system to support marketing planning and budgeting, analyze responses to marketing campaigns, and to customize customer communication

In only 140 (38.7 %) organizations from the sample was formally set up and used CRM system. Therefore, as the number of respondents is lower, the results are interpreted directly according to differences on the Likert scale, and not according to the average score made up of this scale.

In general, the firms do not use social media in CRM systems to support marketing planning and budgeting; only about one quarter of all respondents replied that they use that for this purpose. There are also some differences regarding the market orientation. Support of social networks for marketing planning and budgeting is used mostly in companies with consumer orientation, where 36.4 % of respondents agreed with this assertion. Vice versa, organizations concentrated on the business markets use the social media in the CRM system for marketing planning and budgeting much less; only 12.5 % of organizations agreed. The differences according to market orientation were found as statistically significant (p-value = 0.00036). Detailed results are available in Table 1.

As similar to previous case, the differences in the use of SCRM for marketing campaign effectiveness according to market orientation were found. Similarly, significant differences were found (p-value = 0.00048), the organizations with consumer focus use social media for this purpose much more than organizations with business focus.

SCRM as a factor enabling customization of customer communication is not affected by the organization size. In general, there were not important differences among larger and smaller
organizations found. Even the more detailed analysis of results, for example in comparison of groups of organization sized up 50 employees and ones with over 500 employees, have not proved any differences. Not surprisingly, the differences in use of social media for customized communication related to market orientation exist. Organization with focus on consumer market use social media for customized communication much more than those with business market orientation. While agreement average score in consumer oriented organizations reached 3.27 pts, in business oriented ones reached only 2.48 pts.; the differences are statistically significant (p-value = 0.01928).

Table 1. Use of SCRM to support marketing according to market orientation

<table>
<thead>
<tr>
<th>Market Orientation</th>
<th>B2B</th>
<th>B2C</th>
<th>Hybrid</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>n</td>
<td>40</td>
<td>11</td>
<td>89</td>
<td>140</td>
</tr>
<tr>
<td>1-strongly disagree</td>
<td>47.5%</td>
<td>9.1%</td>
<td>22.5%</td>
<td>28.6%</td>
</tr>
<tr>
<td>2-slightly disagree</td>
<td>27.5%</td>
<td>0.0%</td>
<td>22.5%</td>
<td>22.1%</td>
</tr>
<tr>
<td>3-nor agree or disagree</td>
<td>12.5%</td>
<td>54.5%</td>
<td>24.7%</td>
<td>23.6%</td>
</tr>
<tr>
<td>4-slightly agree</td>
<td>12.5%</td>
<td>27.3%</td>
<td>22.5%</td>
<td>20.0%</td>
</tr>
<tr>
<td>5-strongly agree</td>
<td>0.0%</td>
<td>9.1%</td>
<td>7.9%</td>
<td>5.7%</td>
</tr>
</tbody>
</table>

3.5. Collecting, integrating, and using of customer information

In general, a regular collecting of customer information is the most frequent activity associated with social CRM, as it received the highest level of agreement. Also, the results show obvious differences in firms affected by the organization size. Organizations with more than 250 employees reached almost four points’ average score (3.95 pts.), while smaller ones reached only 3.43 pts score. The differences are statistically very significant (p-value = 0.00001).

Integration of internal and external customer information is also relatively very frequent in the examined organizations. In larger firms with over 250 employees the average value 3.63 pts was found, in comparison to smaller ones with average value 3.00 pts. The differences between these larger and smaller firms were found as statistically very significant (p-value = 0.00001). At higher or lower organizational size this difference further increases. Firms with over 500 employees were identified with such integration in more than half of firms. Vice versa, in firms with up to 50 employees was an agreement percentage lower than one third.

Using customer information to assess the lifetime value of customers is more likely to be performed in organization with over 250 employees where an average score is 3.40 pts. On the contrary, the firms with up to 250 employees reached an average score 2.75 pts. only. The differences are statistically very significant (p-value = 0.00003).

Besides of mentioned, the customer information can be used to measure the value of each customer’s referrals to other customers. The differences in use of customer information to measure the value of customer’s referrals were found, however, the differences were not so strong as in previous cases, but still statistically significant (p-value = 0.02105). Larger firms with over 250 employees reached score 3.33 pts., while smaller firms received an average score 3.01 pts. Generally, we can say that probably firms have not too much experience with the calculation, as about one third of them does not favor neither to agree nor disagree with use of it.
4. Discussion and conclusion

Paper findings showed several insight to the field researched. Generally, the researched companies value the most areas as making an own online community, strategic approach to online communities management and involvement in interesting customer communities, where the score of agreement was the highest. General awareness of these topics is higher in larger organizations than in smaller ones. The organizations rather build their own online communities than participating in customer-owned ones, more typical it is for larger organizations. On the other hand, use of online communities as a way how to make a contact with a customer, is more frequent in smaller organizations. Presentation of interesting results related to organizational size is illustrated in Graph 1.

Regarding the difference related to market orientation, the engagement with the customer via online communities is more frequent in the organizations focused on the final consumer market. In general, social CRM is used to support marketing planning and budgeting just a little. If so, the support is more significant in organizations oriented on final consumer markets, not on the business markets. Similar results exist for the use of social CRM for the purpose of marketing campaign analysis. Businesses oriented on the final consumers use social networks for CRM more frequently than organization with business market orientation. In general, companies collect customer information regularly as well as integrate internal information with information from external sources. Advanced calculations as measuring of customer life-time value or measuring the value of each customer’s referrals to other customers is rather a domain of larger companies, the smaller ones use them just rarely. In this case, the findings of previous research of Kumar and Harrigan, Ramsey & Ibbotson [13; 7] were confirmed.
Regarding to size, the findings of this study are in contrast to Trainor et. al.’s study [23], where no significant association between SCRM capabilities and the organization size was found. Besides of this, the study findings can be, with regards to slightly different samples, compared with the research [7] conducted on the sample of British SMEs in 2014. Comparison shows that British organizations obtain higher scores in areas as establishing own online communities and proactive management of relationships in the communities; use of social media as a way to establish a relationship with the customer and customization of the communication. Those organizations also collect customer information more regularly and integrate information more often. Vice versa, Czech organizations are more engaged in the customer-owned communities and having more strategic approach in management of online communication.

Presented paper showed that SCRM practices are in many facets significantly affected by the organization size and organization market orientation. Next research in this field might be concentrated on other factors affecting the use of SCRM as number of marketing staff, business nature, outsourcing of SCRM activities and other research interests.

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